Cross-Border Listings Guide - London Stock Exchange (Main Market)

Overview of exchange

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The London Stock Exchange (more commonly referred to as the LSE) operates several markets.

The new UK Listing Rules (UKLR), which came into force on 29 July 2024, replaced the former standard and premium listing segments of the LSE Main Market (a UK regulated market) with a single segment, transferring share listings that existed on that date to one of the new categories listed below:

The Commercial Companies (Equity Shares) category (ESCC) – The flagship listing category for commercial companies seeking a UK share listing.

The International Secondary Listings (Equity Shares) category – For non-UK companies who have a primary listing on a non-UK market and a secondary listing in the UK. This category largely replicates the previous standard listing segment.

The Equity Shares (Transition) category – For commercial companies previously listed on the standard listing segment. This category is closed to new applicants but currently has no end-date for those companies that were 'mapped' to it from the previous standard listing segment.

A streamlined transfer process for companies to move from the Transition or International Secondary Listings categories to the ESCC category will be available subject to the relevant company meeting certain criteria, such as having been listed for at least 18 months on a continuous basis.

Shell Companies (Equity Shares) category – For shell companies and special purpose acquisition companies (SPACs), based on the previous standard listing segment.

Non-equity shares and non-voting equity shares category.

The new UK Listing Rules retained the categories for: closed-ended investment funds; open-ended investment companies; debt and debt-like securities; depository receipts; securitized derivatives; and warrants, options and other miscellaneous securities largely unchanged.

The LSE also operates the following markets:

London Stock Exchange Stock Connect (The Shanghai-London Stock Connect & the Shenzhen-London Stock Connect).

AIM (formerly known as the Alternative Investment Market) (an exchange regulated market or UK multilateral trading facility (UK MTF)).

The Specialist Fund Segment (SFS).

The Sustainable Bond Market (SBM).

The Professional Securities Market (PSM) (an exchange regulated market or UK MTF).

The International Securities Market (ISM) (an exchange regulated market or UK MTF).

The Main Market was established in 1698 and is home to some of the world's largest and best-known companies. The regulatory framework associated with listing on the Main Market is balanced and comprises globally respected standards of regulation and corporate governance. As a result, a listing on the Main Market demonstrates a commitment to high standards and provides companies with the means to access capital from the widest set of investors.

The relevant regulatory authority for a listing on the LSE is the UK Financial Conduct Authority (**FCA**). Shares of listed companies are admitted to the Official List of the FCA and admitted to trading on the Main Market of the LSE. Similarly, debt securities listed on a Main Market segment are also admitted to the Official List of the FCA and admitted to trading on the Main Market of the LSE.

A Main Market listing of equity shares for a commercial company comes with potential for inclusion in the FTSE UK series of indices, such as the FTSE 100, FTSE 250 and FTSE All-Share indices, though such inclusion is not within the remit of the FCA (but rather with the Ground Rules being set by FTSE Russell).

Access to these indices is often seen as one of the key benefits of listing in the ESCC category as many investment mandates are driven by FTSE indexation. In 2018, the FCA created a new category within, what was then known as, the premium listing regime (now the ESCC regime) to cater for companies controlled by a shareholder that is a sovereign country. The listing disclosure obligations and other requirements applicable to sovereign controlled companies have been refined to ensure that the regulatory requirements are suitably tailored to achieve the best outcomes for both investors and issuers.

Other advantages for a company listing on the Main Market include: a respected and balanced regulatory environment, which leads to greater levels of shareholder confidence; access to a large pool of capital; the existence of a large and experienced community of advisers to help companies join the Main Market and support them after listing; and the associated visibility and profile raising with customers, suppliers, investors and other stakeholders.

The Specialist Fund Segment (SFS) is for specialist, closed-ended investment funds that target institutional, professional, professionally advised and knowledgeable investors. As the SFS is part of the UK regulated Main Market, it is subject to the Prospectus Regulation Rules and the Disclosure Guidance and Transparency Rules (DTRs), which can both be found in the FCA Handbook. However, as securities admitted to trading on the SFS are not admitted to the Official List of the FCA, they are not subject to the Listing Rules.

The Sustainable Bond Market (SBM) supports innovative issuers in sustainable finance, and improves access, flexibility and transparency for investors. As the demand from investors and companies to manage climate risks and create impact becomes ever more important, the SBM offers a wide range of opportunities for green, sustainability and social bonds, in addition to bonds from green economy issuers and most recently sustainability-linked bonds. SBM is not a distinct primary market operated by London Stock Exchange. It is a label applied across various segments of the London Stock Exchange's existing primary markets in order to promote the visibility of sustainable debt finance instruments, so bonds can be admitted to the LSE's Main Market and the ISM, for example.

The London Stock Exchange Stock Connect, comprising the Shanghai-London Stock Connect (launched in June 2019) and the Shenzhen-London Stock Connect (added from March 2023), provides a mechanism that connects the large pools of capital that exist in China and in London via a two-way depositary receipt program scheme where the security underlying the relevant depositary receipt program is fungible across both markets, and facilitates: (i) Chinese companies listed on the Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE) obtaining a listing of global depositary receipts (GDRs) in London on the Main Market; and (ii) companies listed in the ESCC category obtaining a listing of Chinese depositary receipts (CDRs) in Shanghai on the SSE or in Shenzhen on the SZSE. In the case of a Chinese SSE-listed or SZSE-listed company obtaining a London GDR listing, the scheme also allows such company to raise capital from overseas investors simultaneously with obtaining its London GDR listing. Eligible companies listed on the two stock exchanges can issue, list and trade depositary receipts on the counterpart's stock market under their existing rules, trading hours and clearing and settlement mechanics, subject to the approval of the relevant regulatory bodies in London and Shanghai or Shenzhen, respectively.

This summary relates to equity shares listed in the ESCC category and the International Secondary Listings category, unless otherwise specified.

In December 2023, the aggregate market capitalization of listed securities on the Main Market was approximately £3.46 trillion (approximately US$4.41 trillion). This represents a slight decrease of approximately 4.9% since December 2022, when aggregate market capitalization was approximately £3.63 trillion (approximately US$4.62 trillion). The Main Market is the LSE's principal market for listed companies from the United Kingdom and abroad. Companies from all industry sectors and in a variety of sizes have listed on it.

The Main Market does not specialize in, or encourage listings by, particular types of companies. However, the FTSE techMARK is a market for innovative technology companies and FTSE Russell also compiles three indices which provide market participants with tools to measure the performance of companies involved in the innovative technologies that are shaping the future. The indices include: the FTSE techMARK All-Share Index, which comprises all companies included within the LSE's techMARK market; the FTSE techMARK Focus Index, which comprises companies within the FTSE techMARK All-Share Index, which are under £4 billion (approximately US$5.09 billion) by full market capitalization (before the application of any investability weightings or capping restrictions), and the FTSE techMARK mediscience Index, which is a real-time index comprising mid and small cap companies within the LSE's techMARK Mediscience market. Constituents of the techMARK Mediscience Index are from the Pharmaceuticals, Biotechnology, Medical Equipment and Medical Supplies subsectors, as classified by ICB.

As of December 2023, there were 1,057 companies (December 2022: 1,106) listed on the Main Market. Of these, 886 (December 2022: 914) were domestic and 171 (December 2022: 192) foreign. However, the foreign companies constituted approximately 27% of the aggregate market capitalization of listed securities (December 2022: 32%).

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